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National Intelligence Bulletin

State Dept. review completed

DIA review(s) completed.

Top Secret

5 September 1974

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No 652

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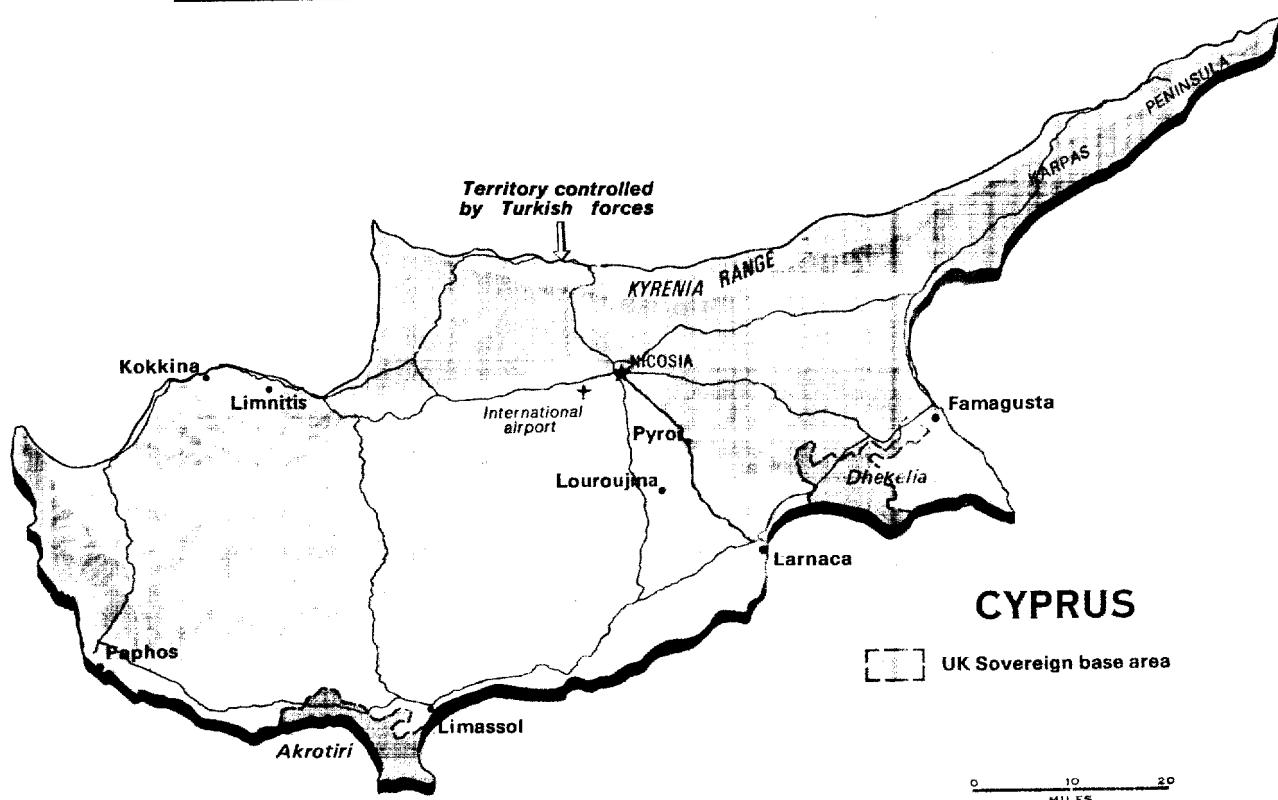
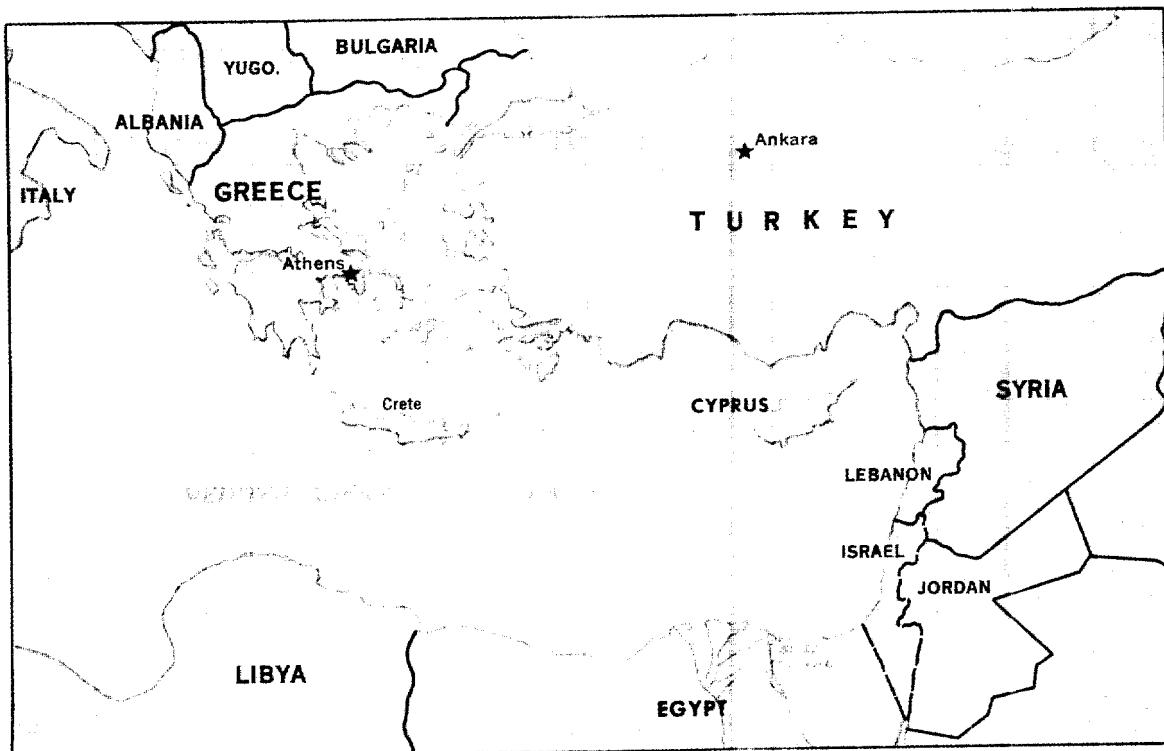
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The Greeks are showing some flexibility in their requirements for the opening of serious Cyprus peace talks. Prime Minister Karamanlis seems to have dropped Greek insistence that Turkish troops on Cyprus withdraw to positions held before the latest round of fighting, the so-called Attila line. The Greeks also seem prepared to accept a federation of the two Cypriot communities. Athens now seems to be concentrating on the return of Greek Cypriot refugees to their homes, especially in Famagusta.

So far the Turks have appeared unwilling to make any concessions just to get the talks started. Rather, they appear to see the refugees and military withdrawal as chips to be played in the course of the negotiations. Ankara has not rejected the idea of withdrawing its troops, which primarily would mean pulling out of the area around Pyroi and away from the perimeter of the British base at Dhekelia. Turkish forces have not permitted Turkish Cypriots into the deserted Greek Cypriot sector of Famagusta, indicating that the Turks do not plan to make the entire city part of their autonomous administration. Likewise, statements by Prime Minister Ecevit indicate Turkish willingness to withdraw at least to the Attila line, which he has indicated is negotiable.

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In Ankara there are signs of growing friction within the coalition government of Prime Minister Ecevit. Growing friction could explain the Prime Minister's unwillingness to make any significant concessions at this time. In a press conference Tuesday, Ecevit seemed to concede some difficulties with his minority partner, but insisted that on the matter of Cyprus there was unity.

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CAMBODIA-JORDAN

The Cambodian government's effort to gain Arab support bore fruit on September 3 with the announcement that full diplomatic relations have been established with Jordan. Jordan is the first Arab country to recognize the Lon Nol government, and the recognition could help Phnom Penh defend its UN seat this fall.

Cambodian Prime Minister Long Boret has been in the Middle East since August 25 courting the Jordanians and the Saudi Arabians. Until the announcement from Amman it appeared that Phnom Penh's ties with Israel could complicate Boret's efforts to obtain Arab recognition. Boret's apparent agreement to transfer his government's representatives from Jerusalem to Tel Aviv appears to have appeased Jordan, however. The Saudis, for their part, have been pressing Phnom Penh to sever relations with Israel, but may drop this demand following Jordan's action.

Long Boret's Middle East travels have not gone unnoticed by Prince Sihanouk's "government." An Egyptian diplomat in Peking told a US official last week that Sihanouk's supporters are worried that Boret's visits could erode Arab support for Sihanouk at the UN and have sought assurances of continued Egyptian backing.

Sihanouk's representatives abroad have been concentrating on lobbying among African countries and can be expected to shift their attention to the Middle East in the near future, especially if Boret succeeds in adding Saudi recognition.

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Continuing high-level personnel changes in the Israel Defense Force reflect a major reorientation of policy to emphasize younger leadership. The new defense force chief of staff, Major General Gur, has been gradually replacing older general staff personnel as well as division, brigade, and battalion level commanders. His primary objective appears to be the adoption of a more systematic approach to warfare, including standardization of procedures and training, by a fighting force that in the past has prided itself on its ability to improvise in tactical situations. General Gur has also been replacing some of the older commanders with men who would probably be more loyal to him. In the latest change, chief paratroop and infantry officer Brigadier General Shaked was replaced by 37-year-old Brigadier General Shomron. While not known to have been responsible for failures during the October 1973 war, as was Chief of Staff Elazar and Director of Military Intelligence Zeira, Shaked was relieved of command under circumstances that suggest he was fired.

According to the US defense attaché in Tel Aviv, Gur has moved slowly in correcting problems he inherited in the defense force, being careful not to disrupt the confidence that is slowly being restored in the public consciousness. Immediately after the Israeli mobilization exercise on August 25-26, Gur issued a public statement calling the exercise a success. The Israeli unit exercises that were held shortly thereafter on August 27 and 28 in the northern Sinai and the West Bank of the Jordan River were also immediately classified as successful.

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USSR-ISRAEL

Israel reportedly has agreed to let Soviet mine-sweepers clear the Israeli-controlled portion of the Strait of Gubal. The Egyptians presented the specifics of the proposed operations--including a mid-September completion date--to the Israelis through UN channels.

A two-mile-wide channel through the Egyptian-held portion of the strait was opened to shipping on August 15. Subsequent Soviet attempts to clear the eastern, Israeli-held portion of the main channel met with repeated rebuffs from Israeli patrol boats. After several days of mine-sweeping operations in the contested area, the Soviets on August 25 moved a guided-missile destroyer into the cleared part of the channel with its crew in a high state of readiness. Despite this show of force, the Soviet minesweepers withdrew when Israeli patrol boats confronted them once again.

On Monday, August 26, Israel notified the UN of the Soviet violations, and for the remainder of the week mine-sweeping continued without further confrontations. The agreement to clear the mines in the contested area reportedly was made on August 30.

Israel's agreement probably reflects its desire to facilitate its own shipping from the Sinai oil fields. Tel Aviv presumably derives additional satisfaction from the Egyptian request, which implicitly acknowledges Israeli control of the eastern portion of the strait.

Bad weather has kept the Soviet minesweepers idle this week, and may again delay completion. The operations were delayed for about ten days during July and August because of bad weather.

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YUGOSLAVIA-USSR

The arrival in Moscow of Edvard Kardelj on Sunday is another effort on the part of both the USSR and Yugoslavia to improve relations before Tito leaves the scene.

The Soviet invitation to Kardelj and the Yugoslav acceptance have symbolic importance. Kardelj has been behind Yugoslavia's heretical policies of self-management and nonalignment. He played a leading role in the talks that led to the Tito-Stalin break in 1948 and figured prominently in the public polemics with Moscow throughout the subsequent two decades. Kardelj last visited Moscow in 1966.

Kardelj has met with Andrey Kirilenko, Brezhnev's unofficial deputy, and lesser Soviet officials concerned with party affairs. This suggests that Kardelj is discussing, among other things, prospects for the European Communist party conference likely to be held later this year or early in 1975.

Despite the desire of both sides to put a good face on relations, some difficulties are expected in the talks. Rumors in Belgrade indicate the government has arrested, and plans to try in secret, a large group of unreformed Stalinists with ties to Yugoslav emigrés in the USSR. Belgrade also has complained recently that economic relations with Moscow are not prospering because of inflationary pressures.

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National Intelligence Bulletin September 5, 1974**ROMANIA**

The Romanian party program, published on September 1, lives up to its advance billing as a highly nationalistic reassertion of Romania's independence and sovereignty. The introductory sections of the 14-part, 65,000-word document trace the development of both the Romanian people and the Communist Party in terms that will not sit well with Moscow.

Although the program is cast in proper Communist jargon and gives the Soviets a nod for forming the first socialist state, its underlying theme is Romania's struggle against foreign domination. The program asserts that:

--Marx and Engels endorsed Romanian attempts to throw off the foreign yoke.

--Romanian history confirms Lenin's conclusion that loss of sovereignty and foreign domination retard socio-economic development, but cannot prevent the ultimate achievement of freedom and independence.

In describing the problems faced by the party in its formative years, the program says that "leadership of the party was placed in the hands of people who were unaware of the realities prevailing in the country, including people sent by the Comintern"--read Moscow--"from other countries."

The opening section of the program underscores Romania's unique historical, national, and social heritage. The section:

--Traces the history of the Romanians to Roman colonization of the lower Danube basin, thus underlining their non-Slavic origin.

--Praises folk heroes Mircea the Old, Stefan the Great, and Michael the Brave, all of whom fought for national liberation and unification.

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--Carefully documents the struggle of all the Romanian peoples in Wallachia, Transylvania, and Moldavia (part of which was incorporated in the Soviet Union in 1940) for union with the fatherland.

The program, which will be formally adopted at the party congress in November, is the first of its kind for Romania. It sets the guidelines for the country's development over the next quarter of a century. The full text will not be available for several days. An outline of the portions still outstanding indicates that the program constitutes a tightly reasoned rejection of Soviet supremacy, but that there will be no relaxation of the Romanian party's firm control over all aspects of national life.

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ARGENTINA

The resignation of Central Bank President Gomez Morales emphasizes basic differences within the government over the direction of Peronist economic policy and is a serious setback for Argentina's economic prospects. It removes one of the principal moderate influences opposed to Economy Minister Gelbard's politically charged economic policies.

On the surface, Gomez Morales' departure would appear to be a victory for Gelbard, an implacable adversary who has tangled frequently with the Central Bank official. It is not improbable, however, that Gomez Morales is stepping aside now to disassociate himself from Gelbard's program, perhaps with the intention of standing in the wings as an independent critic until Gelbard's position is seriously weakened. At that time, Gomez Morales, who has long been mentioned as a possible successor to Gelbard, could offer himself as a viable alternative.

While he headed the Central Bank, Gomez Morales publicly faulted Gelbard's economic leadership, particularly his support for expansionary monetary policy. The retention of the controversial minister in a recent cabinet shuffle undoubtedly hastened Gomez Morales' decision to quit.

President Peron has been reluctant to sack the powerful Economy Minister because he has a strong constituency among smaller businessmen who have endorsed Peronist economic policies at the expense of large Argentine and foreign companies. Mrs. Peron's efforts to cling to price and wage controls of the "Social Pact" and to retain its chief exponent also reflect an unwillingness to abandon the Peronist goals of redistribution of income and containing inflation. The retention of Gelbard also conforms with the government's desire to present an image of continuity and unity in the unstable period following Juan Peron's death.

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The President will probably not depose Gelbard in the near term unless his policies become completely discredited. To do so would be tantamount to admitting that Peronist policy has failed--a step that the President is in no position to take. The outlook is for continued lip service to the Social Pact coupled with piecemeal adjustments that undermine its effectiveness over the long run. [redacted]

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